

Reminder

Effective for admissions on or after July 1, 2013, reimbursement for private inpatient general acute care hospitals will be based on a Diagnosis-Related Group (DRG) payment methodology. The specific DRG algorithm chosen by the Department of Health Care Services (DHCS) is All Patient Refined Diagnosis-Related Groups (APR-DRG). This is a change from the current methodology of per diem contract rates for contract hospitals and cost reimbursement for non-contract hospitals.

Acute inpatient intensive rehabilitation (AIIR) services and level 2 administrative day services will not be reimbursed using the DRG payment methodology. They will be reimbursed per diem with a flat rate.

AIIR Services

The following guidelines apply to inpatient rehabilitation services:

- Inpatient rehabilitation claims are identified in the claims processing systems by the presence of revenue codes 118, 128, 138 and/or 158 on one or more of the service lines of the claim.
- An approved daily *Treatment Authorization Request* (TAR) is required for rehabilitation services to be reimbursed. Documentation submitted with the TAR must establish the medical necessity for the admission and each requested day.
- The reimbursement amount is calculated by multiplying the state per diem amount by the number of TAR-approved days.
- Claims for rehabilitation hospital stays that do not include revenue code 118, 128, 138 and/or 158 may be directed by the claims processing system to a DRG group (860). As a result, the inpatient claim will be denied with Remittance Advice Details (RAD) code **9960: APR-DRG – rehabilitation revenue codes missing**, and the hospital must resubmit with the appropriate revenue code(s) (or primary diagnosis code if rehabilitation was incorrectly listed as the primary diagnosis on the original claim).
- Inpatient rehabilitation services are defined in *Welfare and Institutions Code* (W&I Code), Sections 14064 and 14132.8, effective July 1, 2013.

DHCS has completed the associated rate calculation and notified hospitals of their specific rate. Hospitals that render rehabilitation services but have not received their rate letter can contact DHCS at DRG@dhcs.ca.gov. The rates are also available in the [Hospital Characteristic File](#) on the DRG website.

Level 2 Administrative Day Services

A state per diem rate will also apply to level 2 administrative day services rendered by

DRG hospitals for subacute care provided to Medi-Cal recipients for admissions on or after July 1, 2013.

Level 2 administrative days for pediatric patients are billed with revenue codes 190 (room and board, subacute pediatric). The appropriate pediatric patient is younger than 21 years of age and has a fragile medical condition, as outlined in the *Subacute Care Programs: Pediatric* section in the appropriate Part 2 provider manual and the *Manual of Criteria for Medi-Cal Authorization*, Chapter 7.

Level 2 administrative days for adult patients are billed with revenue code 199 (room and board, subacute, adult). The appropriate adult patient is 21 years of age or older and has a fragile medical condition, as outlined in the *Subacute Care Programs: Adult* section in the appropriate Part 2 provider manual and the *Manual of Criteria for Medi-Cal Authorization*, Chapter 7.

DHCS DRG Web Page

DHCS encourages providers to visit the [Diagnosis Related Group Hospital Inpatient Payment Methodology](#) Web page on the DHCS website. Recent additions to the Web page include:

- DRG Provider Training: This document provides details on accessing upcoming trainings, as well as links to the recordings of past webinars such as rate setting, provider training and Excel data.
- Hospital Characteristics File: In this document, providers can find their hospital's rural status, designated Neonatal Intensive Care Unit status, wage index, current cost-to-charge ratio used and more.
- DRG Provider Billing FAQ: Unlike the general DRG FAQ, this additional FAQ focuses more on complex billing issues.
- DRG Pricing Calculator Instructions: These instructions supplement the DRG Pricing Calculator.

For all questions, or to add your email address to the DRG listserve to receive DRG updates, contact DHCS via the DRG mailbox at DRG@dhcs.ca.gov.